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Date: 12 May 2000

To: Mr. Benon Sevan, Executive Director
Office for the Iraq Programme

Mr. Hocine Medili, Director
Field Administration and Logistics Division, DPKO

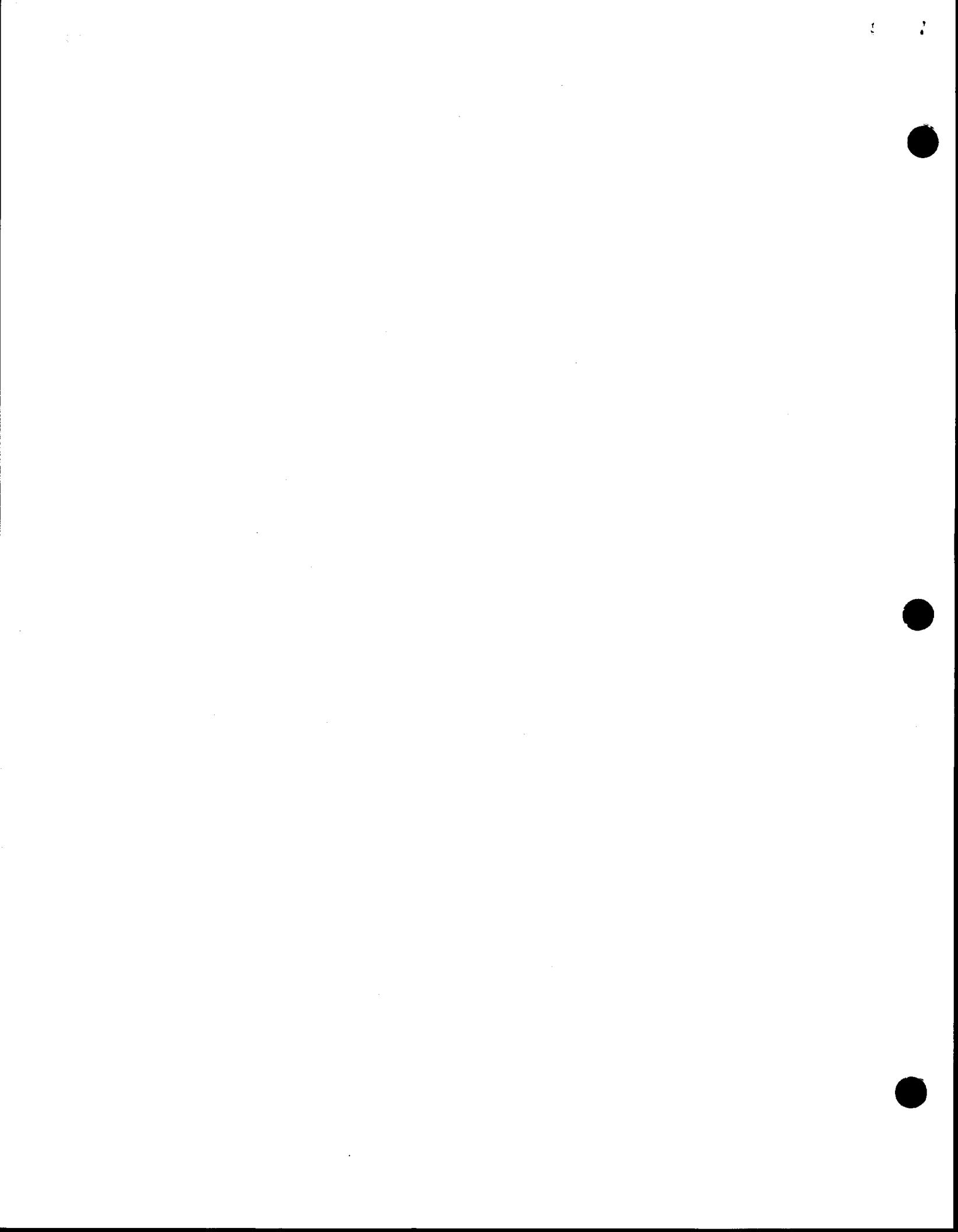
From: Esther Stern, Director 
Audit and Management Consulting Division, OIOS

Subject: **OIOS Audit No. AF00/49/1: Review of the United Nations Office of the Humanitarian Coordinator in Iraq (UNOHCI)**

1. I am pleased to submit to you the report on the Audit of UNOHCI, which was conducted from 13 March to 5 April 2000.
2. When commenting on the audit recommendations, please refer to the recommendation number concerned in order to facilitate monitoring of their implementation status. Please indicate a time schedule for the implementation of each accepted recommendation.
3. I would appreciate receiving your reply by 20 June 2000.

Copy to:

Mr. J. Connor
Mr. J.P. Halbwachs
UN Board of Auditors
Planning and Compliance Officer, OIOS





United Nations
OFFICE OF INTERNAL OVERSIGHT SERVICES
Audit and Management Consulting Division

Audit Report

Audit of
The United Nations Office of the Humanitarian Coordinator for Iraq
Audit No. AF00/49/1
Report date: 12 May 2000
Audit team:
Dagfinn Knutsen, Auditor-in-Charge;
Raja Arumugham, Auditor
Satish Ratnam, Resident Auditor, UNOHCII

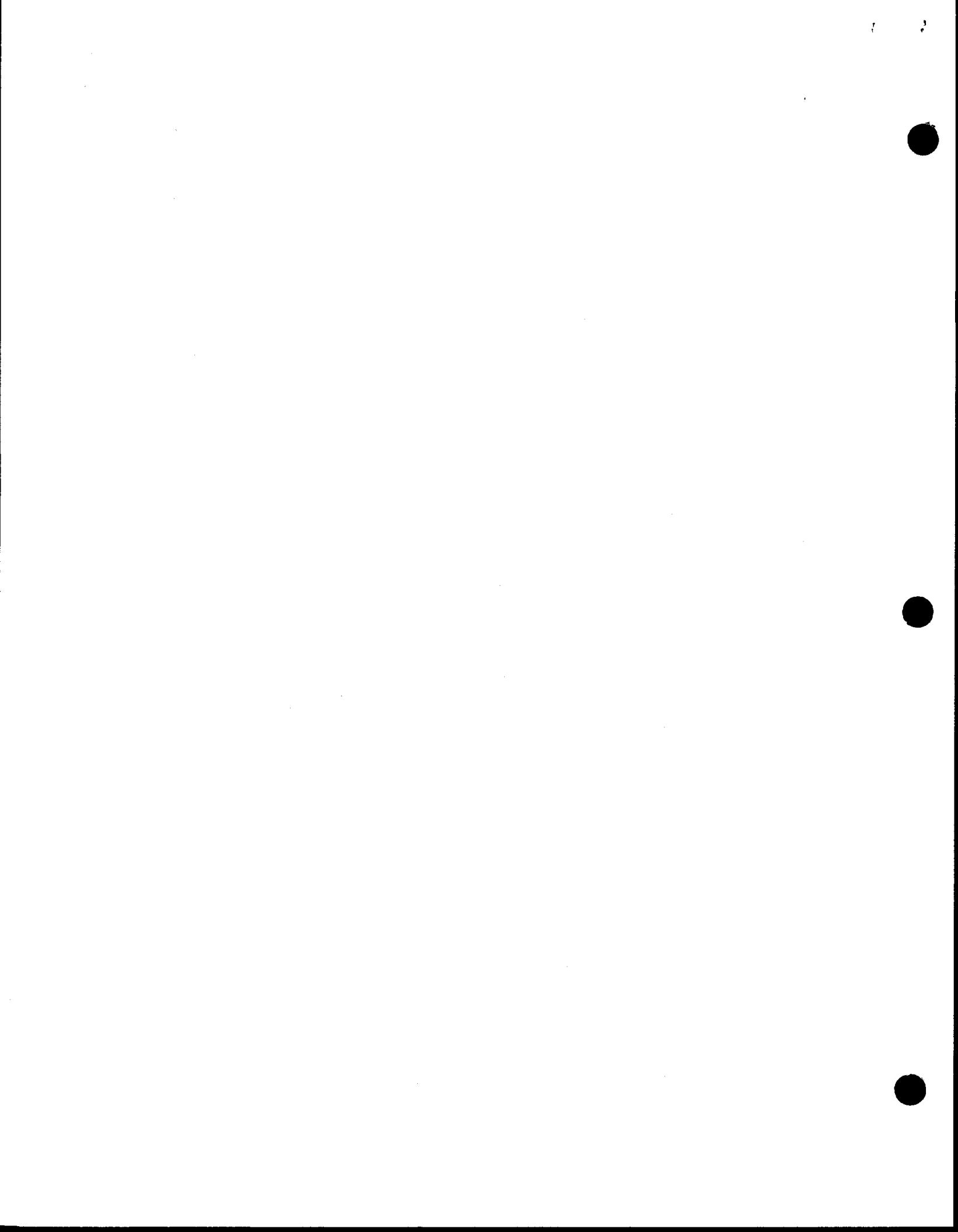
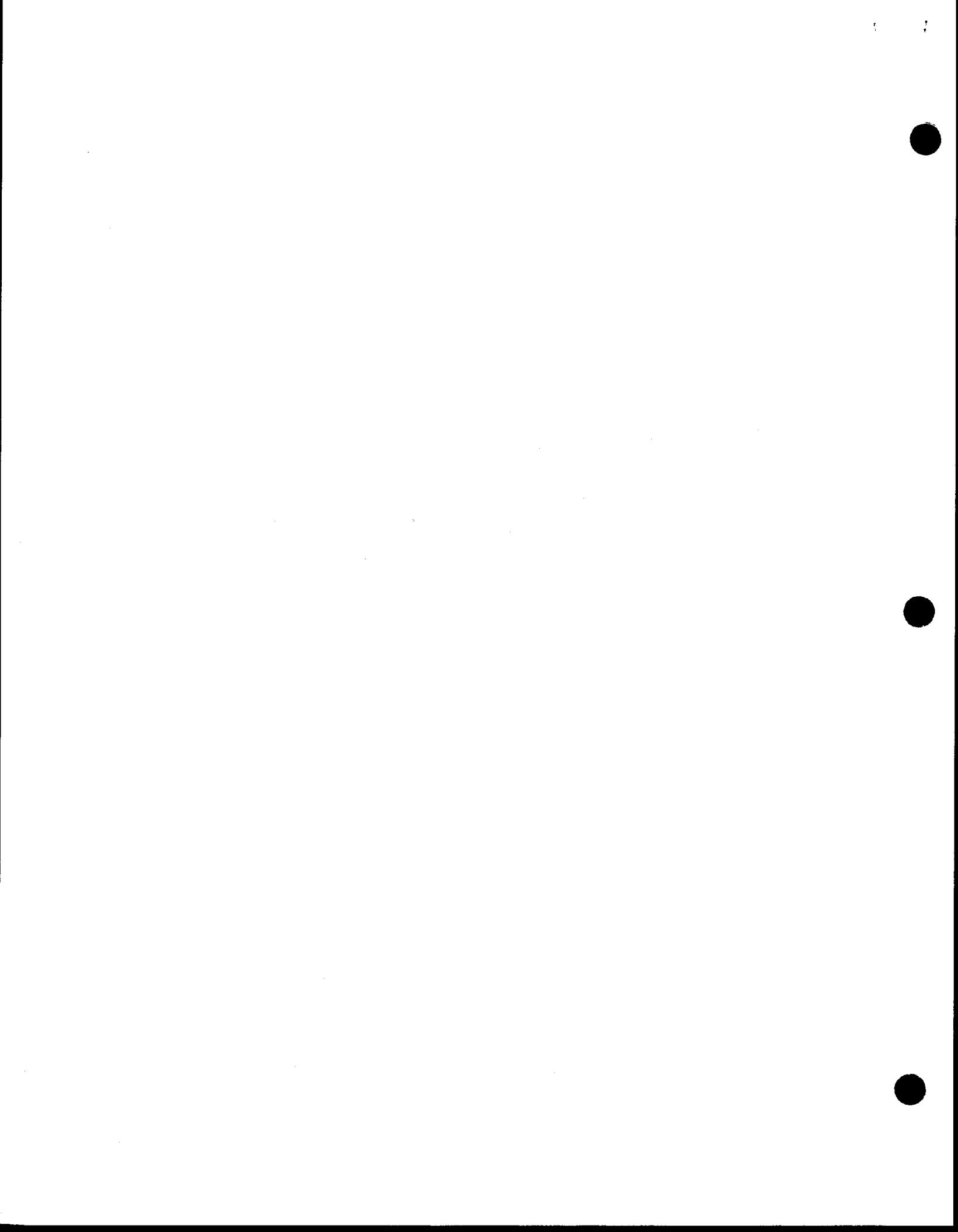


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AUDIT OF UNOHC (AF00/49/1)

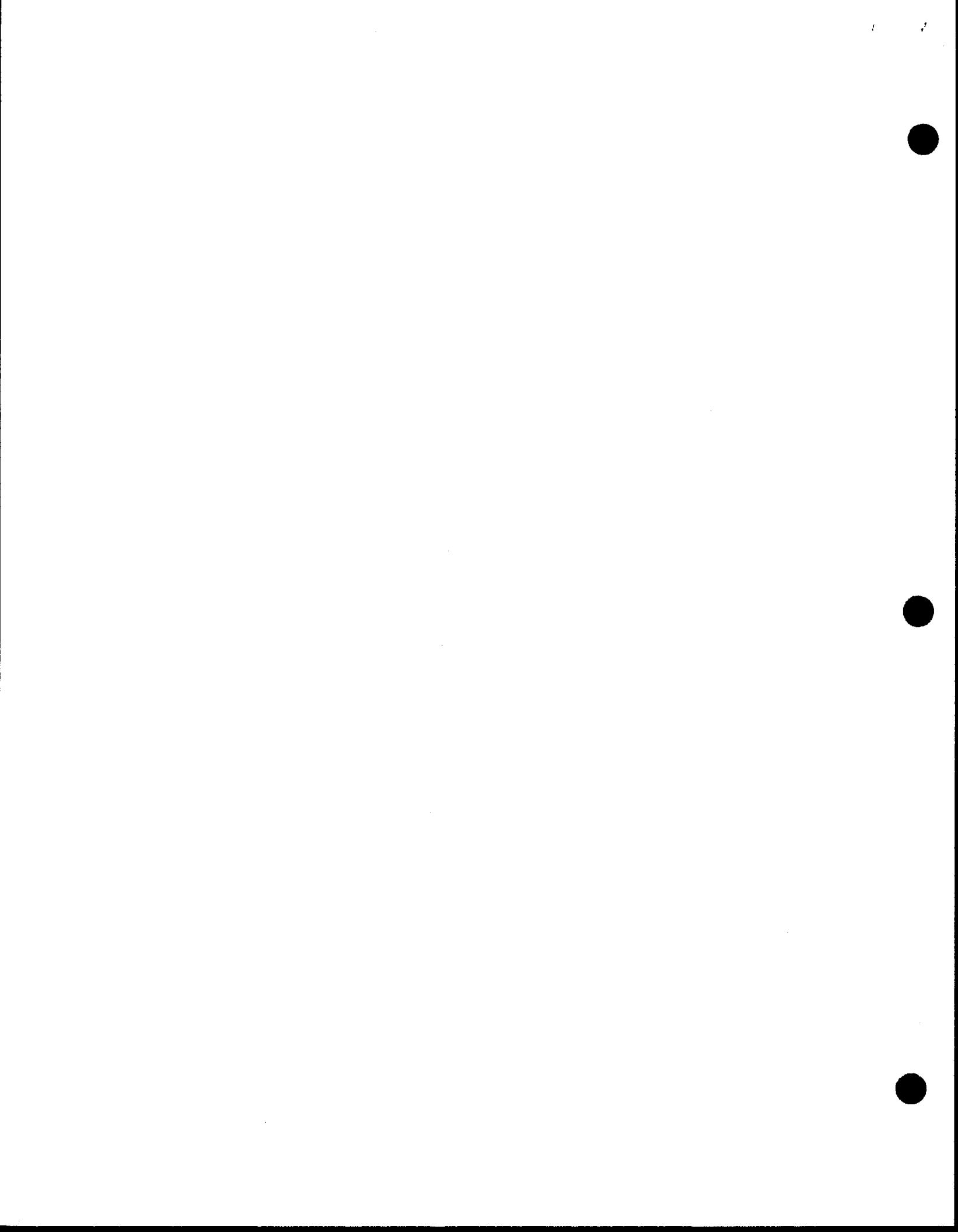
Executive Summary

In March and April 2000, we conducted an audit of the United Nations Office of the Humanitarian Coordinator for Iraq (UNOHC) in Baghdad and North Iraq. The primary objectives of the audit were to assess the effectiveness of financial and administrative procedures and to review operational arrangements in North Iraq.

The major findings were as follows:

- Lack of proper management of the Procurement Section resulted in serious breaches of financial and procurement rules, a lack of justification for purchases, procurement action not being taken on a timely basis, and the Reality procurement system not being fully implemented;
- The procurement of "winter items" for internally displaced persons, approved by OIP in the amount of approximately \$500,000, was a total departure from established procurement procedures, resulting in serious breaches of internal controls;
- Miscellaneous obligating documents for approximately \$400,000 had been raised based on purchase requisitions to retain funds in contravention of UN financial rules;
- Arrangements for the transportation of cash to North Iraq had not been made in accordance with best practices issued by the UN Security Coordinator, unnecessarily endangering the personnel who carried the cash;
- The post for the Chief of the Liaison and Travel Unit was established at the P-4 level even though a staff member at the G-3 level had managed the Unit for over one year. Moreover, the Unit functioned as an independent unit and not as part of the General Services Section which is the normal practice in peacekeeping missions;
- The Mission conducted implementation activities under the "13 per cent" account, which had resulted in an additional administrative burden, instead of focusing on its core activities of coordinating and monitoring programmes being implemented by other UN agencies; and
- The arrangements made by UN agencies in north Iraq to lease vehicles at a nominal rate to local authorities in North Iraq had not been approved by the Security Council, and procedures to monitor their use had not been established by either the agencies or the Mission.

A summary of our observations, recommendations and UNOHC's response is provided in the Annex to the report.



I. INTRODUCTION

1. OIOS conducted an audit of the United Nations Office of the Humanitarian Coordinator for Iraq (UNOHCI) from 13 March to 5 April 2000. The audit was performed in accordance with the general and specific standards for the professional practice of internal auditing in United Nations Organizations.
2. UNOHCI was established in 1991 to coordinate inter-agency humanitarian programs that were designed to help meet the needs of vulnerable Iraqis. The Humanitarian Coordinator reports to the Executive Director of OIP. In addition to the co-ordination aspect, UNOHCI monitors the delivery of supplies to the Central and Southern parts of Iraq and has a Deputy Humanitarian Coordinator in Northern Iraq who oversees UN-implemented humanitarian aid in that region. UNOHCI also provides administrative services to the UN Guards Contingent in Iraq (UNGCI) who provide security for UN personnel in North Iraq.
3. UNOHCI's budget is for a six-month period. For the period from 1 January to 30 June 2000, the cost estimates are \$12,046,000 (net) plus an additional \$347,000 (net) for FALD HQ support. For the previous period to 31 December 1999, the amounts were \$12,693,000 and \$347,400 respectively.
4. The findings and recommendations contained in this report were discussed with Mission management who were also provided with a summary of the major findings during the exit conference. A summary of our observations, recommendations and UNOHCI's response is provided in the Annex to the report. Their comments are reflected in the report as appropriate and are identified in italics.

II. AUDIT OBJECTIVES

5. The objectives of the audit were to review and assess: (i) the effectiveness of internal controls in selected administrative and financial areas; (ii) the economy and efficiency of the procurement process; and (iii) the effectiveness of the administrative and operational arrangements in North Iraq.

III. AUDIT SCOPE

6. The audit covered the main administrative and financial areas of UNOHCI, focusing on the last twelve months of operation. We reviewed Financial and administrative records and accounts and held discussion with key management in various areas of the operation. In addition a physical inspection was carried out of the office and other facilities including warehousing and fixed assets. We also visited the North Iraq headquarters in Erbil and regional offices in Suliminiyah and Dohuk in order to assess UNOHCI activities in that area.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Procurement Procedures

Non-compliance with procurement rules and procedures

7. The audit included a review of procurement procedures which found that substantial improvements are needed in order for the Procurement Section to effectively discharge its responsibilities and provide the desired level of service to the Mission. The audit found that procurement and financial rules were often not complied with. For example, our review of 1999 procurement cases above \$20,000 found that in none of the cases had formal bidding been carried out nor was there adequate justification for not complying with this rule. In our opinion, this resulted in a serious breakdown of internal controls. Furthermore, there was a need to upgrade the staffing of the Section which, including the Chief Procurement Officer (CPO), had only two staff members with prior procurement experience. Other weaknesses in the Procurement Section included:

- An inadequate filing system which resulted in missing files;
- A lack of documentation to justify purchases;
- One case where the required presentation to the Local Committee on Contracts (LCC) had not been made;
- Procurement action not being done on a timely basis;
- The Reality procurement system not being fully used; and
- A vendor roster that had not been updated and was not generally used.

8. *In their reply to audit note (AF1/00), Mission management agreed with our recommendations and indicated that action would be taken to implement them. Furthermore, management indicated that the "CAO already issued several instructions for strict adherence to Financial rules and regulations, established procedures according to the amended Procurement Manual. Close follow-up on implementation will also be performed". Management also stated that they "...will follow-up with FALD on the deployment of competent Procurement staff".*

Procurement of "winter items" seriously deviated from procurement rules

9. An amount of \$566,025 had been provided by OIP for the purchase of "winter items" in 1999/2000 for internally displaced persons (IDPs) in North Iraq. The review found that the procurement procedures used for these purchases totally departed from established procedures, resulting in serious breaches of internal controls. There was also a lack of planning and coordination by the sections involved in this activity. With the advent of winter, this necessitated the urgent procurement of the items on an "exigency" basis even though the requirements were known in October 1999 and a similar exercise had been conducted in the previous year. Some of the major deviations from established practices were as follows:

- No purchase requisitions were raised to initiate the procurement process;

- The General Services Section was requested to carry out the procurement exercise in the absence of the CPO;
- No competitive bidding exercise was conducted. Instead a Building Management Assistant in North Iraq was asked to conduct a market survey for the required goods;
- On the basis of the market survey, POs were completed and signed by the OIC administration;
- A receiving and inspection report was raised by the Receiving and Inspection Unit in Baghdad, on the basis of an e-mail from North Iraq, without actually verifying the quantity and quality of the items received; and
- Complaints were subsequently received about the inferior quality of the goods from an NGO responsible for distribution of the goods to the beneficiaries.

10. In order to assess the reasonableness of the prices paid for the "winter items", we conducted a market survey of vendors in the North for items included in five of the POs issued. The results revealed that for these POs alone, the amount paid by the Mission was 61 per cent or \$97,000 more than the quotes obtained in our survey. We concluded that similar uncompetitive prices had probably been paid for the other items purchased.

11. Based on this review, OIOS is of the opinion that there is a need for Mission management to thoroughly review the events that took place and determine accountability for non-compliance with Financial Rules and Procurement Rules. If similar requirements are anticipated in the next winter season, in our view, it would be more effective for these items to be procured by one of the specialized agencies such as UNICEF. The Deputy Humanitarian Coordinator in the North concurred with our views in this regard.

12. *In their response to our audit note (AN6/00), Mission management recognized the importance of adhering to rules and regulations and all other administrative issuance, and would continue to make staff members aware of relevant guidelines. They also stated that only concerted and joint efforts at different levels of the Mission, with unequivocal support from UNHQ including OIOS contributing to the awareness, could allow tangible results, to which the Mission Administration has been striving, and is still committed.*

13. OIOS recognizes that Mission management is putting considerable effort to correct the current situation and ensure that Financial and Procurement rules are adhered to. However, in view of the serious deviation from the applicable rules and established procurement practices which has exposed the Organization to unnecessary risks we believe that additional measures need to be taken until such time as the situation improves.

Recommendation 1

OIOS recommends that the Assistant Secretary-General for Central Support Services and the UN Controller reduce the delegation of procurement authority to the Mission until such time as the Procurement Section is staffed with qualified personnel and Mission

management has taken appropriate action to improve the functioning of the Procurement Section, specifically in ensuring that financial and procurement rules are complied with and in ensuring that procurement action is taken on a timely basis (AF00/49/1/001).

Recommendation 2

OIP, in consultation with the Mission should review the procurement of "winter items" for IDPs and, if such requirements are expected to continue in the future, make arrangements with one of the specialized agencies in North Iraq to fulfill the requirements (AF00/49/1/002).

B. Financial and Cash Management Matters

Raising of miscellaneous obligating documents (MODs) were not in accordance with financial rules

14. The Mission raised ten MODs, in the amount of \$414,808, at the end of December 1999 in order to obligate funds in the third mandate based on purchase requisitions (PRs) for supplies and services. In our opinion, this had circumvented procurement procedures and the raising of purchase orders. The Mission should have obligated the funds in the subsequent financial period instead of reserving them using MODs which was in contravention of UN financial rules.

15. *In their response to the audit note (AF2/00) Mission management stated that implementation of the recommendation is under way, however, "... in certain instances, the resort to MODs will be inevitable." We maintain however that such practices are not consistent with the use of MODs and should therefore not be resorted to without appropriate approval.*

Recommendation 3

IOIS recommends that the Controller advise the Mission's CFO that MODs should not be used to retain funds at the end of the financial period in contravention of established procedures and that if a continuing requirement exists for the goods or services, funds should be obligated (AF00/49/1/003).

Inadequate security arrangements for the transportation of cash to North Iraq

16. Cash replenishments averaging \$250,000 a month have been transported to North Iraq by an international staff member, who acts as a courier and transports the cash discreetly in a UN vehicle without any security protection. Though this modus operandi it has been functioning without any problem in the last few years, it is not in conformity with the security guideline titled "Best Practice for Offices Using Banknotes" issued by the UN Security Coordinator (UNSECCORD) in October

1998. During our field visit to North Iraq, we found that most of the other UN agencies and programmes are utilizing the services of a broker who delivers the cash upon payment by cheque. Although not necessarily an ideal solution, this procedure eliminates all cash handling risks. *The mission informed us, in their response to our audit note (AF2/00), that they had already requested advice from the UN treasurer concerning this issue.*

Recommendation 4

FALD should follow up with the UN Treasurer on the possibility of using the services of a broker to deliver cash to North Iraq in order to avoid the security risks associated with the current cash delivery method currently used by UNOHCNI (AF00/49/1/004).

C. UNOHCNI's Role in Implementing Activities Under the "13 per cent Account"

17. UNOHCNI's mandate in North Iraq, under the 986 programme, is to coordinate and monitor activities of the executing agencies, rather than acting as an executing agency itself. However, the audit found that a proposal had been put forward by UNOHCNI to establish workshop facilities in North Iraq to repair and maintain vehicles leased by UN agencies and programmes to the local authorities. It was noted that neither the local authorities nor the UN agencies had requested such facilities. The budget proposal for the construction and operation of these facilities, prepared by the CTO, indicated that estimated cost for these facilities ranged from \$1,159,400 to \$1,725,300 excluding the salaries of the staff to be recruited, depending on the option chosen. In OIOS' opinion, this proposal would place an unnecessary administrative burden on UNOHCNI and conflict with their coordination and monitoring role. We therefore fail to see the justification in this proposal.

18. A similar situation existed with regard to the procurement of "winter items" for IDPs (see paragraphs 7 to 9). Again, this activity, for which it was ill equipped to perform, did not appear to be part of the Missions mandated activities. In our view, activities undertaken as part of the "13 per cent account" should be handled by one of the other agencies operating in North Iraq in order to allow the Mission to focus on its core activities.

19. *Management indicated in their reply to our audit note (AF7/00) that "Instructions have been issued to cancel all plans and actions related to building of workshops for the said vehicles, outsourcing or other ways and means to provide repair and maintenance to the subject vehicles by the Mission."* In addition our discussions with management in North Iraq indicated that there was an awareness that the Mission needed to focus on its coordination and monitoring role.

Recommendation 5

OIOS recommends that OIP review the current UNOHCNI programme of work in North Iraq, and ensure that it focuses on its

core activities of coordination and monitoring of programmes financed from the 986-account being implemented by other UN agencies and programmes (AF00/49/1/005).

Arrangements to lease "13 per cent account" vehicles to local authorities

20. Regarding the leasing of vehicles purchased through the "13 per cent account" on a nominal basis to the local authorities in North Iraq, OLA stated in its legal opinion that "the pertinent applications which were submitted to the 661 Committee by those organizations, agencies and programmes accordingly indicated that those organizations, agencies and programmes were themselves to be the recipients of the vehicles concerned and did not indicate the existence of any intention on their part to pass title in them on to any other person or body, those organizations, agencies and programmes would not be acting consistently with the approval which has been given by the 661 Committee..."

21. OLA also opined that "the vehicles should not be transferred to the local authorities, but should be retained by the organizations, agencies and programmes". It went on to state that "The vehicles might accordingly be leased to the local authorities concerned, subject to the condition that those authorities keep them in good repair and return them to the Organization in good condition."

22. We noted that under the 986 programme, agencies regularly supply various equipment items such as generators, medical equipment, etc. to the local authorities. A similar situation exists concerning the need for the local authorities to use vehicles for purposes associated with the implementation of 986 programmes. We also found that monitoring of the use of the vehicles which is a requirement under the current lease arrangements is not effective. In view of the legal opinion and the apparent intention for the vehicles to be used by the local authorities, we recommended that approval be sought from the Security Council 661 Committee to hand over the vehicles to the local authorities.

23. *In response to our audit note (AF7/00), the CAO felt "...that it is in the best interest of the Organization and the Mission to hand over the vehicles as soon as possible, as only limited results can be obtained from any monitoring of the use of the vehicles, considering the overall environment."* Regarding the recommendation to seek approval from the Security Council 661 Committee to hand over the vehicles to the local authorities, we are still awaiting a response from the Mission and the Office of the Iraq Programme. We therefore restate our recommendation below.

Recommendation 6

OIOS recommends that UNOHCII, in coordination with OIP, seek approval from the Security Council 661 Committee to hand over the vehicles to the local authorities in North Iraq (AF00/49/1/006).

D. Personnel Management Issues

Travel time for occasional recuperation break (ORB) needs to be reviewed

24. In order to avail themselves of a suitable ORB location, staff members have to make a long journey (approximately 11 hours by road) to Jordan where they can take flights to other destinations. The Mission has been permitting Baghdad staff members to take two additional working days and staff members in the North to take four additional working days as travel time during ORB. In our view, it would be appropriate to allow travel time for Baghdad staff if ORB travel commences in the middle of a workweek. If ORB is taken from Sunday to Thursday, travel should be on the weekends so that the total number of five working days of ORB is not exceeded. It is also our understanding that ORB travel time policies vary considerably from mission to mission. FALD should therefore ensure that ORB policies are applied in a fair and consistent manner in all missions.

25. UNOHC officials in North Iraq informed us that travel policies, including ORB, result in staff members being absent for extensive periods of time which have had a negative effect on their operational ability. This raises questions about the effectiveness of leave policies and their application in the Mission. Since this issue has ramifications beyond UNOHC, OIOS intends to conduct an audit of ORB and MSA policies later this year.

The post for the Chief of the Liaison and Travel Unit is budgeted at an inappropriate level

26. The audit found that the size of the Liaison and Travel Unit does not warrant it being established as a separate section reporting to the CAO. In our opinion, it would be more efficient if it were located within the General Services Section, which is the normal practice in most missions. Furthermore, since the Unit consists of eight posts, including that of the chief, we did not believe that the classification at the P-4 level for the chief of the Unit was appropriate. The fact that a G-3 staff member (with SPA to G-4) has managed the Unit for over one year supports this contention.

27. *In their reply to our recommendation (AF00/49/1/136), Mission management stated that "the P-4 post is shown on the staffing table for consistency purposes and will be re-deployed elsewhere when required."* In our opinion the post classification should be appropriate for the post in question and unless there is an immediate requirement to re-deploy the post elsewhere, the post should be reclassified to a more appropriate level.

Recommendation 7

OIOS recommends that the Mission request FALD to reclassify the post level for the Chief of the Liaison and Travel Unit to a more appropriate level or that the Mission, if there is another an identified requirement for a P-4 level staff member, re-deploy the post (AF00/49/1/007).

E. Other Major Issues

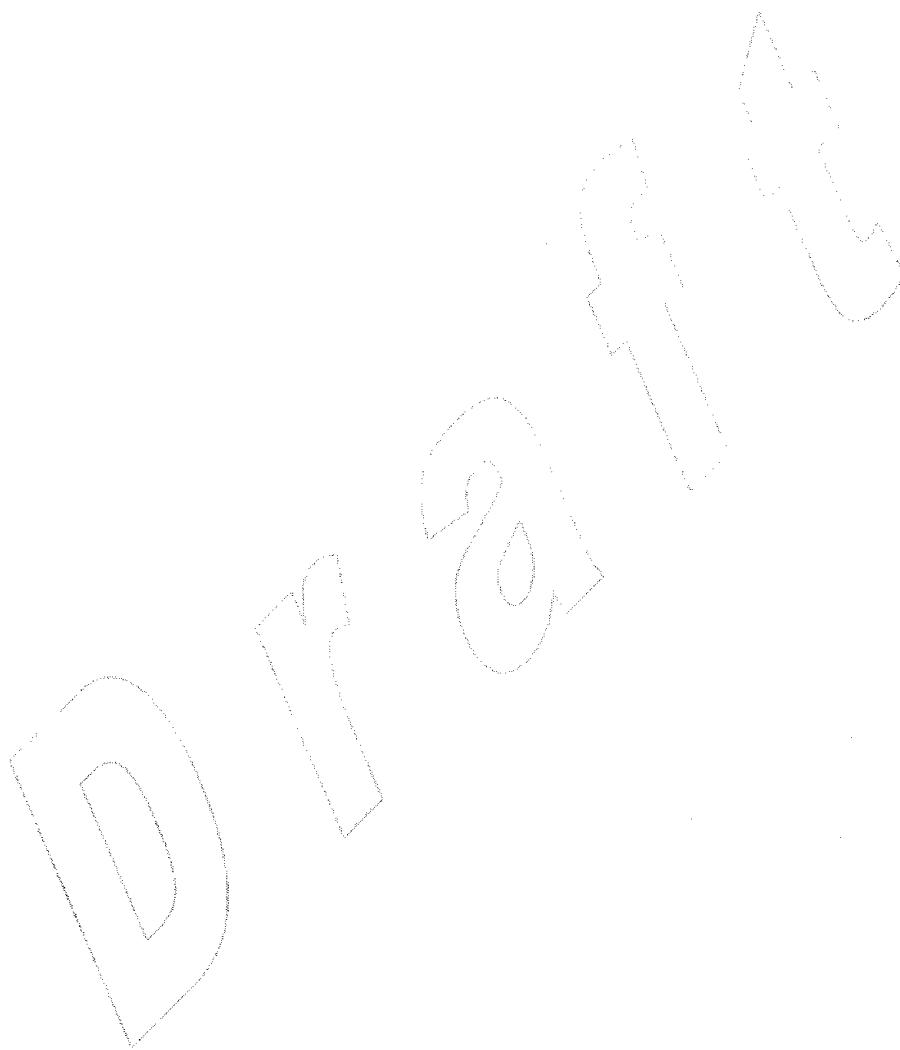
27. A number of other weaknesses were found during the audit which are shown in the attached Annex. While management indicated in their reply to our audit notes that corrective action was being taken, in view of the seriousness of many of the findings, the major ones are highlighted below:

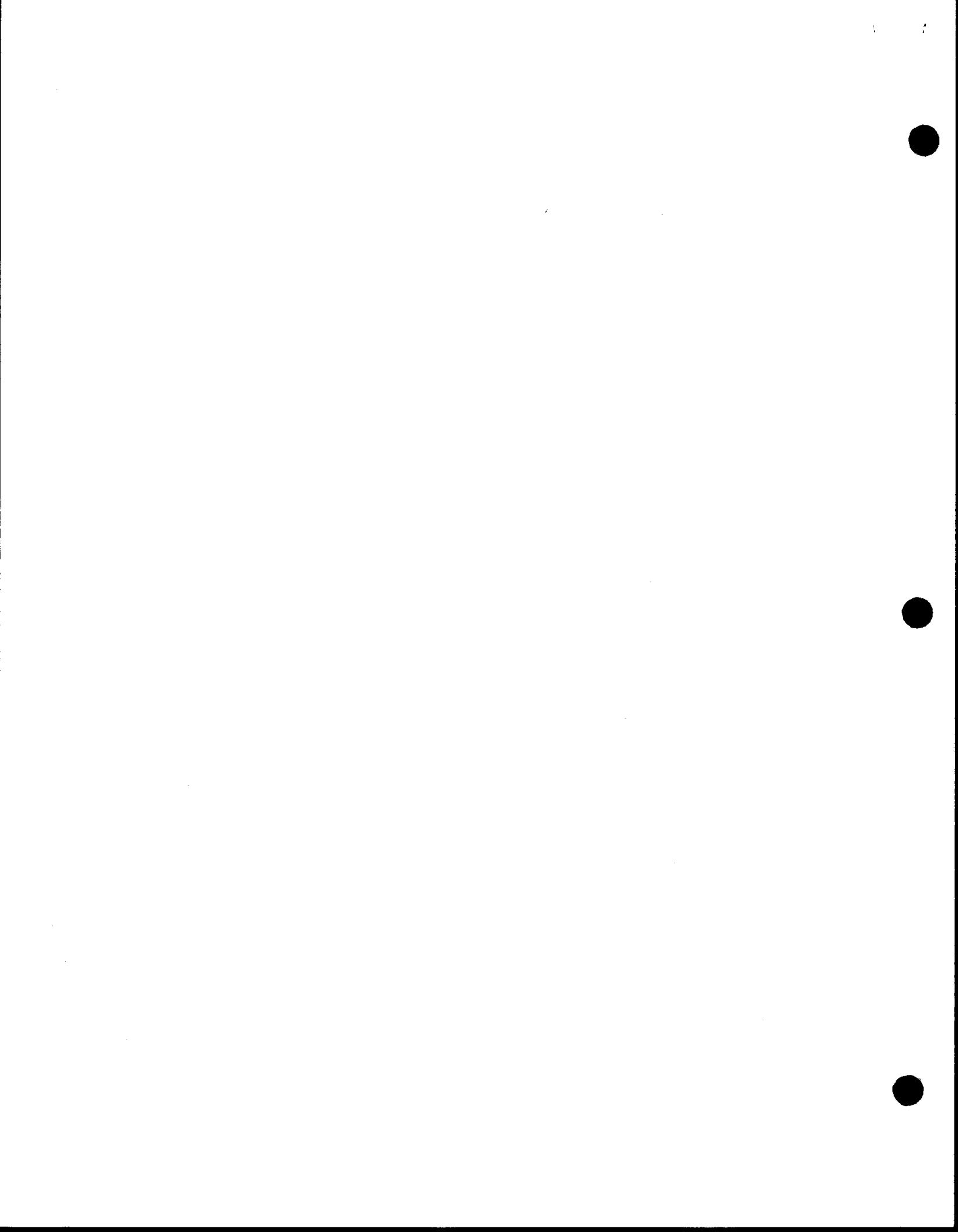
- Security of the Cashier's office in North Iraq (Erbil) was inadequate in view of the large amounts of cash-on-hand (up to \$300,000);
- In many cases, there was no review of the monthly cash management reports by a responsible official resulting in a breakdown of internal controls;
- In North Iraq (Erbil), procedures had not been established to have disbursement vouchers authorized by a certifying officer;
- Assets belonging to UNOHC's predecessor missions, with an acquisition value of approximately \$430,000 had not been accounted for;
- Despite the lower living costs in North Iraq, no separate salary scale had been established for local staff salaries;
- A lack of proper procurement planning and coordination with Baghdad Headquarters resulted in two emergency purchases of tires from a local vendor in North Iraq in contravention of procurement rules;
- The procurement of travel services had not been conducted on a competitive basis, and the extensive procurement exercise done by UNDP, which was subscribed to by the Mission, had not been implemented; and
- The Mission continued to pay approximately \$60,000 annually to UNDP, Jordan despite the fact that many of the services to be provided were no longer used (eg. the Mission paid 100 per cent of the salary for a local driver in Amman, Jordan even though the Mission did not have vehicle stationed in Amman and did not use the driver's services).

VI. ACKNOWLEDGEMENT

28. We would like to express our appreciation for the assistance and cooperation extended to the auditors by UNOHC.

Esther Stern
Director
Audit and Management Consulting Division, OIOS





UNITED NATIONS OFFICE OF THE HUMANITARIAN COORDINATOR FOR IRAQ (UNOHC) – Assignment No. AF2000/49/1
ANNEX
STATUS OF OIOS/AMCD RECOMMENDATIONS ISSUED DURING FIELD VISIT

Observation	Recommendation	PROCUREMENT PROCEDURES Audit Note No. 1	Mission's comment/implementation status
<u>Procurement files</u> The Procurement Section could not locate some files preventing the examination of five case files for purchases over \$10,000. The Procurement Section should make every effort to locate this important documentation and establish an appropriate filing system to prevent future documentation losses.	<u>Rec. # AF2000/49/1/101</u> We recommend that Mission management conduct an investigation to determine the reasons for the missing procurement files.	<u>Agreement:</u> Yes <u>Implementation time:</u> In progress <u>UNOHC's comments:</u> Recommendation is being implemented, and the results will be forwarded to the Resident Auditor <u>STATUS:</u> Closed	
	<u>Rec. # AF2000/49/1/102</u> We recommend that Mission management establish an appropriate filing system in the Procurement Section in order to provide full control over case files and other procurement records.	<u>Agreement:</u> Yes <u>Implementation time:</u> In progress <u>UNOHC's comments:</u> This recommendation <i>can be considered</i> on its way for implementation, necessary follow-up measure will also be implemented. <u>STATUS:</u> Closed	
	<u>Rec. # AF00/49/1/103</u> We recommend that Mission management establish procedures to ensure that competitive bidding exercises are carried out in accordance with financial rules and delegation of procurement authority to the Mission.	<u>Agreement:</u> Yes <u>Implementation time:</u> In progress <u>UNOHC's comments:</u> CAO already issued several instructions for strict adherence to Financial rules and regulations, established procedures according to the amended Procurement Manual. Close follow-up on implementation will also be performed. <u>STATUS:</u> Closed	
<u>Bidding procedures</u> Financial regulations and the delegation of procurement authority granted to the Mission require competitive bidding for all purchases over \$20,000. While there were few procurement cases exceeding this amount in 1999, we found that in some cases bidding exercises had not been done as required.	<u>Rec. # AF00/49/1/104</u> We recommend that Mission management ensure that justification in the form of an analysis or explanation is provided for all purchases before procurement action is taken and that the justification is included in the case file	<u>Agreement:</u> Yes <u>Implementation time:</u> Not specified <u>UNOHC's comments:</u> The recommendation will be implemented, instructions to provide requisitioner justification or explanation attached to requisitions will be issued. <u>STATUS:</u> Closed	1

UNITED NATIONS OFFICE OF THE HUMANITARIAN COORDINATOR FOR IRAQ (UNOHC) – Assignment No. AF2000/49/1
STATUS OF OIOS/AMCD RECOMMENDATIONS ISSUED DURING FIELD VISIT

ANNEX

Observation	Recommendation	Mission's comment/implementation status
Lack of justification for purchases Additional vehicles are being rented by the mission (PO no. 00079) for the transport of personnel between Baghdad and Amman. The case file did not contain adequate justification for this practice and there was no analysis which determined that this was the most economical alternative.	Rec. # AF00/49/1/105 We recommend that Mission management review the use of a contractor to transport staff to and from Amman which should consider the use of UNOHC vehicles and the purpose of the trips and examine the frequency and need for the trips, especially where personal travel is involved.	Agreement: Yes Implementation time: Not specified UNOHCJ's comments: The recommendation will be reviewed in light of the above and FALD's opinion to be sought on the matter to continue/discontinue or amend the system. STATUS: Closed
Lack of presentation to the LCC Procedures need to be established to ensure that cases are presented to the LCC in accordance with FRs.	Rec. # AF00/49/1/106 We recommend that Mission management take action to present the case involving the 1999 purchases of office supplies from Tsiakkastel, to the LCC on an ex-post facto basis.	Agreement: Yes Implementation time: In progress UNOHCJ's comments: Management will continue its efforts to obtain presentation of all cases to LCC and HCC whenever appropriate. STATUS: Closed
Procurement actions should be made on a timely basis We found that in some cases timely action had not been taken to expedite the procurement process. Delays have also resulted from the RFQ process. We also noted a large number of outstanding PR dating as far back as early 1998. It is apparent that closer co-ordination is needed between the procurement Section and other sections to follow-up on outstanding requisitions and to determine reasons for procurement delays. In this regard, there is a need to institute a regular monitoring and reporting system to enable timely follow-up on delays.	Rec. # AF00/49/1/107 We recommend that Management ensure that appropriate procedures are established to ensure that procurement action is taken on a timely basis which should include regular reporting on reasons for delays and greater consultation and co-ordination between the section chiefs and the Procurement Section on ways to accelerate the procurement process.	Agreement: Yes Implementation time: See comments UNOHCJ's comments: The implementation of the recommendation necessitates an important enhancement of procurement activities and staff's abilities, in particular, in planning and closer compliance. STATUS: Closed

UNITED NATIONS OFFICE OF THE HUMANITARIAN COORDINATOR FOR IRAQ (UNOHC) – Assignment No. AF2000/49/1
STATUS OF OIOS/AMCD RECOMMENDATIONS ISSUED DURING FIELD VISIT

ANNEX

Observation	Recommendation	Mission's comment/implementation status
<u>Need to review the vendor roster</u> We also reviewed the vendor roster established in the Reality system and found that improvements were needed in the maintenance of the roster. We believe further that the vendor roster needs to be reviewed and updated on a regular basis in order to ensure that only reliable vendors are included. This should include a regular documented assessment of vendor performance.	<u>Rec.#AF00/49/1/108</u> We recommend that the Mission management take action to review the current vendor roster to ensure that only bonafide vendors are included on the roster, entries in the roster are only made on appropriate authorization and that vendors performance is assessed on a regular basis.	<u>Agreement:</u> Yes <u>Implementation time:</u> Partly implemented recently <u>UNOHC's comments:</u> The recommendation has been partly implemented recently, by the introduction of the vendors/contractors performance evaluation system, with some improvements noted. The Mission will also implement a market survey in Iraq, and eventually in Jordan and in other markets in the region to expand the actual vendors' roster. <u>STATUS:</u> Closed
<u>Procurement Section staffing</u> We reviewed the qualifications of procurement staff and found that only two staff members (the P-4 and G-6) had previous procurement experience. OIOS has on several occasions commented on the lack of adequate qualifications in the procurement function which has hampered the operation of missions. We believe that it is necessary to up-grade the level of procurement staff in the Mission to ensure adequate support.	<u>Rec.#AF00/49/1/109</u> We recommend that Mission management assess the personnel needs of the procurement section and that it be sufficiently staffed with trained personnel and provide training for local staff to enable them to assume procurement duties	<u>Agreement:</u> Yes <u>Implementation time:</u> In progress <u>UNOHC's comments:</u> The recommendation is currently being implemented and the Mission will follow-up with FALD on the deployment of competent Procurement staff. <u>STATUS:</u> Closed
<u>Issuing of limited procurement delegation of authority by CAO</u> We noted that the CAO had pursuant to Financial Rule 110.16 given limited procurement authority to the Chief of General Services (CGS) and OIC Administration (North) to procure goods in limited circumstances up to \$1,000. We also noted that many of the POs issued by the Procurement Section are for purchases of less than \$1,000 which do not require the obligation of funds. Therefore, it would appear to be more efficient and result in speedier procurement if the purchase was done without issuing a PO.	<u>Rec.#AF00/49/1/110</u> We recommend that Mission management eliminate the use of POs for purchases less than \$1,000 and that procedures be established for minor purchases to enable urgently needed materials to be purchased on a timely basis from registered vendors	<u>Agreement:</u> Yes <u>Implementation time:</u> Within 30 days <u>UNOHC's comments:</u> The recommendation is well noted, the actual Limited Procurement Delegation of Authority for the CGSO & the OIC Administration North will be cancelled, once a system in line with your recommendation is established. <u>STATUS:</u> Closed

UNITED NATIONS OFFICE OF THE HUMANITARIAN COORDINATOR FOR IRAQ (UNOHC) – Assignment No. AF2000/49/1
STATUS OF OIOS/AMCD RECOMMENDATIONS ISSUED DURING FIELD VISIT

Observation **Recommendation** **Mission's comment/implementation status**

FINANCE MANAGEMENT			
Audit Note No. 2			
<u>Outstanding Obligations</u>	<u>Rec. # AF00/49/1/111</u> Finance Section has been automatically canceling all outstanding obligations that are more than 12 months old and has been issuing periodic reminders to certifying officers, the last being on 8 March 2000. Although the outstanding obligations have been cancelled in the monthly accounts, there were a few relating to Mandate II in the latest detailed list sent to the certifying officers.	We recommend that the Mission Properly reflect the outstanding obligations in the monthly accounts and those relating to Mandate III be reviewed on a priority basis. Unnecessary obligations be either cancelled or deobligated to ensure validity.	<u>Agreement:</u> Yes <u>Implementation time:</u> In progress <u>UNOHC's comments:</u> The recommendation is to be implemented by Finance Section and by the holding of regular meeting to review the status of outstanding obligations is required. Mission assures full observance of the recommendation. <u>STATUS:</u> Closed
	<u>Rec. # AF00/49/1/112</u> While obligating funds in the third mandate, the Mission raised ten Miscellaneous Obligating Documents (MODs) during the end of December 1999 based on requisitions for supplies and services for a total amount of \$414,808 in contravention of UN Financial Rules and Regulations.	We recommend that the Mission ensure that proper obligating documents are used for committing funds and MODs uscd for intended purposes under the Financial Rules.	<u>Agreement:</u> Yes <u>Implementation time:</u> In progress <u>UNOHC's comments:</u> Full implementation of the recommendation is underway and will continue to be observed by the Mission, however, in certain instances, the resort to MODs will be inevitable. Administration will strive its best to minimize such cases. <u>STATUS:</u> Closed
<u>Accounts Receivable</u>	<u>Rec. # AF00/49/1/113</u> The Mission needs to review 'Receivables' due from staff, NGOs and the inspection agency on a priority basis for timely recovery. The mission should raise the level of withheld amount to \$500 for staff members departing on completion of mission assignment to avoid recurrence.	We recommend that the Mission record accounts receivable promptly, review them periodically and that the amounts due to the Mission be recovered to avoid financial loss to the organization.	<u>Agreement:</u> Yes <u>Implementation time:</u> In the near future <u>UNOHC's comments:</u> Full implementation of recommendation is expected in the near future. <u>STATUS:</u> Closed
<u>Inter Office Vouchers</u>	<u>Rec. # AF00/49/1/114</u> It was found that an amount of \$2,038,808 and \$1,722,904 had been booked under IOVs incoming (assets) and outgoing (liabilities) respectively. The outgoing IOVs included \$718,846 relating to UN staff members. It is understood that the closing entry for the 1998-99 biennium is awaited from the Accounts Division, OPPBA.	We recommend that the Mission in coordination with OPPBA clear all IOVs and book them under the correct object heads to ensure proper cost and financial control.	<u>Agreement:</u> Yes <u>Implementation time:</u> Not specified <u>UNOHC's comments:</u> The Mission will follow-up closely with Accounts Division, OPPBA for prompt and correct clearing of IOVs. <u>STATUS:</u> Closed

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Observation	Recommendation	Mission's comment/implementation status
<u>Cash Management</u> We reviewed the monthly cash reconciliation statements from August 1999 through February 2000 to verify compliance and noticed that the Mission exceeded the limit. UNOHC maintained an imprest account of \$1,000,000, based on an authorisation issued by OPPBA in February 1997 during the start up phase of the Mission. In view of the recently approved limits and our concerns over huge cash balances as listed above, there is an urgent need to revise the imprest level to its actual needs.	Rec. # AF00/49/1/115 We recommend that the Mission strictly adhere to the levels authorised by the Controller on monthly cash disbursements and that monthly cash requirements be adjusted to a realistic level taking into consideration the requirements and available cash balance.	<u>Agreement:</u> Yes <u>Implementation time:</u> In progress <u>UNOHC's comments:</u> The recommendation has been noted and the Mission will continue to observe the authorized limits of cash disbursements. <u>STATUS:</u> Closed
<u>Delay in preparing monthly Cash Management reports</u> A review of the monthly reports indicated that there were delays in preparing the monthly cash flow statements and that there was no timely review of the statements by responsible officials	Rec. # AF00/49/1/116 We recommend that the Mission in coordination with FALD, seek fresh approval of the imprest level to its actual requirements.	<u>Agreement:</u> Yes <u>Implementation time:</u> Not specified <u>UNOHC's comments:</u> The recommendation is accepted and will be implemented, within the limits to be authorized by OPPBA. <u>STATUS:</u> Closed
<u>Delay in preparing monthly Cash Management reports</u> A review of the monthly reports indicated that there were delays in preparing the monthly cash flow statements and that there was no timely review of the statements by responsible officials	Rec. # AF00/49/1/117 We recommend that the Mission strengthen the system of preparation and review of monthly cash flow statements to ensure timely review so that it serves as a meaningful tool in exercising management control.	<u>Agreement:</u> Yes <u>Implementation time:</u> None <u>UNOHC's comments:</u> The recommendation is accepted and the Mission will do its utmost for its implementation. <u>STATUS:</u>

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Observation	Recommendation	Mission's comment/implementation status
<u>Transportation of cash to North Iraq</u> In Baghdad, the Mission transports its monthly cash requirements from the bank in an armoured vehicle accompanied by armed Iraqi guards and UN security to the office in Canal Hotel. However, no such facility exists for transporting cash to Northern Iraq.	<u>Rec. # AF00/49/1/118</u> We recommend that the Mission adopt the guidelines enshrined in the "Best Practices for Offices Using Banknotes" in regard to transporting cash to Northern Iraq.	<u>Agreement:</u> Implementation time: Not specified <u>UNOHC's comments:</u> Management already submitted the case recently to the Treasurer, seeking advice as none of the two alternatives is near ideal. We also forwarded the Notes to the Mission Security Adviser who recommended the use of a broker. <u>STATUS:</u> Closed
<u>Verification of Cash</u> It would be advisable to keep an international staff as a back up when the regular cashier is on leave/ ORB. Furthermore, the Mission should consider establishing a system of periodic surprise verification of cash by staff members independent of Finance Section.	<u>Rec. # AF00/49/1/119</u> We recommend that the Mission management review the shortage and reconcile/ recover it and that it establish a control mechanism for daily cash verification by international staff when local staff officiate as Cashier.	<u>Agreement:</u> Yes Implementation time: Not specified <u>UNOHC's comments:</u> The recommendation will do its utmost in the implementation of the recommendation and the measures indicated above. <u>STATUS:</u> Closed

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Observation Recommendation Mission's comment/implementation status

ASSET MANAGEMENT		
Audit Note No. 3		
Non - 986 Assets - Missing/ Unlocated Assets On the non 986 assets, we noted that UNOHC inherited these assets in a database without proper, accurate and reliable asset records from the former missions and is now responsible for reconstructing the database without adequate supporting documentation such as PT 107 forms, the purchase orders for the items, R&I Reports, issue vouchers and documents relating to transfer of assets from UNLB and other peace keeping missions. We also found that the major cause for the missing UNGCI assets was the lack of adherence to proper check out procedures.	Rec. # AF00/49/1/120 We recommend that the Mission review and bring up-to-date the inventory records relating to non-986 assets, including physically locating the assets and performing a reconciliation based on existing records in order to give a true picture of the actual state of these inventory groups.	Agreement: Yes Implementation time: Not specified UNOHC's comments: The recommendation is to be implemented by General Service and constant follow-up will be made by Administration until its full execution, including the structuring of a proper regional Administration for the North. STATUS: Closed
	Rec. # AF00/49/1/121 We recommend that the Mission conduct a thorough investigation into the missing items, establish responsibility and in cases of lost items initiate write off procedures.	Agreement: Yes Implementation time: Not specified UNOHC's comments: General Service will exert a vigorous follow-up of its initial effort with UNGCI and pursue the completion of the issue of missing items. STATUS: Closed
	Rec. # AF00/49/1/122 We recommend that the Mission strengthen check-out procedures for UNGCI guards to ensure that the assets are returned before a staff member leaves the Mission.	Agreement: Yes Implementation time: Not specified UNOHC's comments: Management will review the Check-out Form for UNGCI and if an amendment is needed, they will be implemented. Instructions/guidelines are actually being adopted by the CAO to request the Head of UNGCI and its Administrative Assistant to strengthen the asset controls. On another side, the actual amount of \$250 withheld from UNGCI members will be increased to \$500 as a preventive measure, allowing also for money recovery as the case may be. STATUS: Closed

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Observation	Recommendation	Mission's comment/implementation status
Field Assets Control System	<u>Rec. # AF00/49/1/123</u> We were encouraged to learn that the Mission has implemented the Field Assets Control System (FACS) since October 1999 and that six staff members from PCIU and other asset holding sections have been trained by FALD. However, the old database is still maintained as the procedures relating to FACS are yet to be streamlined. Furthermore, data in FACS was not updated. Proper coordination is needed between the R&I unit, asset holders and PCIU to ensure the accuracy of the data entered. We also found that while assigning bar codes to the assets, there was no proper segregation of numbers. In the absence of the software we noted that the current system of tracking and verification under FACS ineffective.	<u>Agreement:</u> Yes <u>Implementation time:</u> Not specified <u>UNOHC's comments:</u> Management is committed to the full and proper utilization of the FACS system, and will exert efforts towards that end. Furthermore, Asset holders will be reminded of the strict adherence to established procedures, including, but not limited to R&I of all goods and services. <u>STATUS:</u> Closed
	<u>Rec. # AF00/49/1/124</u> We recommend that the Mission review the data entered in FACS and rectify errors on a priority basis and strengthen the system of updating the records so that they reflect the correct status of the assets.	<u>Agreement:</u> Yes <u>Implementation time:</u> Not specified <u>UNOHC's comments:</u> Management commits itself to the completion of implementation of the recommendation and for the implementation of the FACS system in the Mission, in cooperation with FALD. <u>STATUS:</u> Closed
	<u>Rec. # AF00/49/1/125</u> We recommend that the Mission segregate the different assets in clearly identifiable bar codes for proper asset management and obtain from FALD the software required to utilize the bar code scanners to effectively verify and monitor the movement of assets.	<u>Agreement:</u> Yes <u>Implementation time:</u> Not specified <u>UNOHC's comments:</u> Management will pursue the matter with FALD, and will strive to enhance the performance by additional training. <u>STATUS:</u> Closed
	<u>Rec. # AF00/49/1/126</u> We recommend that the mission properly plan and conduct physical verification on a timely manner and a system of periodic spot checks be established for efficient asset management.	<u>Agreement:</u> Yes <u>Implementation time:</u> In progress <u>UNOHC's comments:</u> Physical inventories will henceforth be carried out every six months, with the results to be reconciled with the FACS and discrepancies reported for proper actions. CAO will re-issue instructions to all Mission staff for the safeguard of UN assets. <u>STATUS:</u> Closed

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Observation	Recommendation	Mission's comment/implementation status
ADMINISTRATION IN NORTH IRAQ		
	Audit Note No. 4	
<u>Non-certification of payments</u>		
UNOHC North maintains an imprest level of \$40,000 and we found that the payments had not been certified by any responsible officials as required under the guidelines issued in June 1998 by UNOHC which state that " all payments must be supported by disbursement vouchers duly signed by the appropriate certifying officers".	Rec. # AF00/49/1/27 We recommend that the Mission Administration establish proper control mechanisms relating to certification and approval of payments in North Iraq.	<u>Agreement:</u> Yes <u>Implementation time:</u> Not specified UNOHC's comments: Administration is working on ways to improve the current system in place, taking into consideration applicable Rules & Regulations, including the request for an alternate certifying officer. Authority will be requested once the structure for a sub-Administration/Regional Administration for the North is completed. On the financial approval, the Mission HQs is of the opinion that this should continue to be certified at the Mission HQs level, at least until the situation is fully regularized, otherwise, it might prove to be a recipe for more irregularities. STATUS: Closed
<u>Security of cashier's office</u>		
UNOHC North often has cash on hand up to approximately \$250,000. We verified the security of the Cashier's office and noted some weaknesses.	Rec. # AF00/49/1/28 We recommend that the Mission Administration strengthen the security measures in the Cashier's office in Erbil and in the cash handling facilities in Dohuk and Suleimaniah	<u>Agreement:</u> Yes <u>Implementation time:</u> 04/05/00 UNOHC's comments: Administration will implement the recommendation within the next four weeks, as it has already and recently been implemented at UNOHC HQs in Baghdad. Steps are actually being taken for implementation for the North. STATUS: Closed
<u>Need to issue Purchase orders</u>		
UNOHC had entered into leases without issuing purchase orders for renting various buildings in the North to accommodate its offices and UNGCI for varying periods. UNOHC is also making payments to different vendors for the supply of fuel from the imprest payments without proper purchase orders	Rec. # AF00/49/1/29 We recommend that the Mission establish proper obligating documents for purchases/ leases for supplies and services of a recurrent nature to ensure conformity to UN Rules and Regulations.	<u>Agreement:</u> Yes <u>Implementation time:</u> Not specified UNOHC's comments: We agree with the recommendation and Administration will follow-up with FALD in connection with the deployment of a qualified Administrative Officer for the North. We also agree that PO's have to be issued for all procurement actions. This is unfortunately being resisted on a regular basis for leases. The matter has been already recognized by the CAO and recently, the CPO has been instructed to travel to the North to regularize the situation of leases; it has been reported that this has been performed, this will be verified. STATUS: Closed

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Annex

Observation	Recommendation	Mission's comment/implementation status
<u>Local procurement of tires</u> UNOHC1 on 16 and 30 December 1999 made an emergency procurement of 26 and 27 tyres for \$988 and \$994 respectively from a local vendor in contravention of procurement rules. There was an obvious lack of procurement planning which necessitated local procurement. The payments were made without proper R&I, certification and approval.	<u>Rec. # AF00/49/1/130</u> We recommend that the Mission ensure proper procurement planning and strict adherence to the authorized limits and UN Rules, Regulations and procedures in North Iraq.	<u>Agreement:</u> Yes <u>Implementation time:</u> Not specified <u>UNOHC1's comments:</u> Administration recognized the difficulties encountered recently in its attempt to enforce a better adherence to procurement established procedures. A request has already been made for the arrival of experienced Procurement Staff including one assistant for the North, results are awaited. <u>STATUS:</u> Closed
<u>Local salary scales</u> No separate salary scale exists for North Iraq. We believe that there is an urgent need to establish new salary scales for North Iraq in consonance with the DSA rate to rectify the anomaly.	<u>Rec. # AF00/49/1/131</u> We recommend that the Mission in coordination with OHRM/ FALD undertake a salary survey and establish a separate salary scales for local staff in North Iraq (AF00/49/1/131).	<u>Agreement:</u> Yes <u>Implementation time:</u> In progress <u>UNOHC1's comments:</u> Administration has brought the Auditors' recommendation to the attention of FALD for their appropriate review and action. UNDP is leading Agencies in determining local salary scales, a specialist from UNDP is arriving soon to the Mission area for such purposes and the matter is scheduled for discussion during meetings already scheduled. <u>STATUS:</u> Closed
<u>Asset management</u> In our view, UNOHC1 North should have a complete list of assets to enable them to manage them on a daily basis, monitor their movement, amend their status, send periodic reports on their status to the PCIU database for updating and to establish a system of periodic spot check for effective management.	<u>Rec. # AF00/49/1/132</u> We recommend that the Mission provide UNOHC1/ North with a complete list of assets on a priority basis for effective management and that a system of periodic reporting on the status of assets in North Iraq be established.	<u>Agreement:</u> Yes <u>Implementation time:</u> Not specified <u>UNOHC1's comments:</u> A consolidated list of assets being used in the North will be provided to the North by the concerned office. A reminder on the importance and adherence to transparency in general will be given to Administration Sections/offices. The matter of establishing a PCIU antenna in the North will be reviewed in the context of Administration restructuring. <u>STATUS:</u> Closed

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ANNEX

Observation	Recommendation	Mission's comment/implementation status
VARIOUS ADMINISTRATIVE ISSUES		
	Audit Note No. 5	
<u>Procurement of travel related services</u> The Mission should adopt the agreement negotiated by UNDP and use their services. This would avoid duplicating the extensive procurement effort done by UNDP and regularize the provision of travel services which up to now has not been done on a competitive basis.	<u>Rec. # AF00/49/1/133</u> We recommend that the Mission commence using the travel agreement established by UNDP which was selected as a result of a competitive bidding exercise conducted by UNDP. <u>Audit Note No. 5</u> <u>Rec. # AF00/49/1/134</u> <u>Freight and custom clearance services</u> There was no formal agreement with Jordan Express Company and that no exercise had been undertaken to determine the competitiveness of the rates being charged. The basis for using this company is therefore unclear and should be regularized by conducting a competitive procurement exercise. We understand that UNDP is planning on conducting a procurement exercise to select a freight and customs agent, therefore, we believe the Mission should determine when this exercise is planned and the possibility of the Mission being included as part of it in order to avoid duplicating the exercise.	<u>Agreement:</u> Yes <u>Implementation time:</u> Not specified UNOHC's comments: The recommendations were noted and will be implemented by Administration. The Travel Section will be merged with the General Services Section to provide for a higher level of internal controls, responsibility and accountability. Travel Section will be instructed to obtain quotations from the UNDP bid winner (Eastern Travel) and other travel agencies, both for travel and transportation of unaccompanied luggage, a matter of concern to the Mission Administration. <u>STATUS:</u> Closed <u>Agreement:</u> Yes <u>Implementation time:</u> Not specified UNOHC's comments: Efforts will be exerted by Administration to regularize the matter of forwarding/clearing agent after a market survey and competitive bidding are carried out. A joint market survey visit to Amman was planned for the Heads of Travel and Liaison Section and the CPO a month ago and was postponed by the CAO, in order to provide indispensable internal control. <u>STATUS:</u> Closed

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Observation	Recommendation	Mission's comment/implementation status
<u>Organization of the Liaison and Travel Unit</u> The Liaison and Travel Unit consists of 8 posts, of which 2 are vacant. The post for the head of the Unit which has been established at the P-4 level is currently managed by a G-3 international staff member. In our view, the size of the Unit does not warrant it being established as a separate section reporting to the CAO and it would be far more efficient if it was located within the General Services Section, which is the normal practice. Furthermore, we do not believe a P-4 staff member to head the Unit is an economical or efficient arrangement. The fact that a G-3 staff member has managed the Unit for over one year supports this contention.	<u>Rec. # AF00/49/1/135</u> We recommend that that the Mission incorporate the Liaison and Travel Unit as part of the General Services Section.	<u>Agreement:</u> Yes <u>Implementation time:</u> Not specified <u>UNOHC's comments:</u> The recommendation is considered within the context of a wider restructuring of Administration to adapt to overall Mission conditions. <u>STATUS:</u> Closed
<u>Provision of administrative services by UNDP</u> UNDP is providing administrative services to UNOHC in Amman, Jordan at a cost of approximately \$61,000 per year. We reviewed a list of services provided by UNDP and found that in most cases these services were not provided or only occasionally provided. While the most practical solution would appear to be conducting negotiations with UNDP to reduce the cost of services provided to a more realistic level, we believe that an analysis should be made of both alternatives. We also found that no agreement has been signed with UNDP setting out the services to be provided and the costs to be charged.	<u>Rec. # AF00/49/1/136</u> We recommend that that the Mission change the level of the post for the head of the Liaison and Travel Unit, currently established at the P-4 level, to a P-2 post.	<u>Agreement:</u> No <u>Implementation time:</u> None <u>UNOHC's comments:</u> The note and recommendation is acknowledged and Personnel Section has stated that the P-4 post is shown on the staffing table for consistency purposes and will be redeployed elsewhere when required. <u>STATUS:</u> See comments in audit memorandum to FALD.
	<u>Rec. # AF00/49/1/137</u> We recommend that that the Mission review the charges made by UNDP, Amman for the provision of administrative services, estimate the actual costs involved and negotiate more realistic rates.	<u>Agreement:</u> Yes <u>Implementation time:</u> Not specified <u>UNOHC's comments:</u> Recommendation is accepted and Administration will explore this area and strive to come up with the best arrangement for the Mission. The solution suggested was already envisaged, however, considerations related to the establishment of proper internal controls and checks and balances led to the postponement of its implementation, until this is achieved. <u>STATUS:</u> Closed
	<u>Rec. # AF00/49/1/138</u> We recommend that that the Mission enter into a formal agreement with UNDP for the provision of services in Amman.	

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Observation	Recommendation	Mission's comment/implementation status
PROCUREMENT OF IDP “WINTER ITEMS”		
	Audit Note No. 6	
Procurement process not in accordance with established procedures We reviewed the procurement process followed in awarding the POs for the “winter items” and found that the procedures followed were a total departure from the established Procurement procedures, resulting in a serious breach of internal controls. This in turn resulted in financial losses to the Organization.	Rec. # AF00/49/1/139 We recommend that the Mission management ensure that procurement action is only undertaken by Procurement Section staff and that established internal controls, including segregation of duties, are followed in all procurement exercises.	Agreement: Yes Implementation time: Not specified <u>UNOHC's comments:</u> Administration concurs with the Auditors' notes and recommendation and recognizes the seriousness of the matter. Concrete efforts are being exerted by Administration with the view of a well-functioning North management and Administration globally. Only concerted efforts and joint efforts at different levels of the Mission, with unequivocal support from UNHQ, including OIOS contributing to the awareness can allow tangible results, to which Mission Administration has been striving, and is still committed. <u>STATUS:</u> Closed
Procurement of items for the 1999/2000 programme	Rec. # AF00/49/1/140 We recommend that the Mission establish appropriate procurement planning and requisitioning procedures, in order to avoid the necessity to procure items on an “exigency” basis	Agreement: Yes Implementation time: Not specified <u>UNOHC's comments:</u> Administration recognizes the importance of adhering to rules and regulations and all other administrative issuances, and will continue to make to have staff members be aware of relevant guidelines. Joint efforts are also needed, a responsive environment of respect of all rules and regulations is needed, Administration will continue its efforts, which can be successful only with the cooperation of all the Mission and the HQ. <u>STATUS:</u> Closed
	Rec. # AF00/49/1/141 Given that, by the end of March, winter has come to an end and that the POs are yet to be issued, the propriety of these costly purchases are, in our opinion, highly questionable.	Agreement: Yes Implementation time: Not specified <u>UNOHC's comments:</u> Administration welcomes the Auditors' findings and will address the matter of the above-mentioned P.O.s based on the Organizations best interest. Recommendation is accepted. <u>STATUS:</u> Closed

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Observation	Recommendation	Mission's comment/implementation status
Procurement of items for the 1998/1999 programme No lessons were learned from the 1999 exercise since, as previously described, the same errors occurred again in the 2000 procurement.	Rec. # AF00/49/1/142 We recommend that Mission management review the 1998/99 procurement of "winter items" and that if they exceed \$50,000 they be presented to the LCC on an <u>ex-post-facto</u> basis.	Agreement: Yes Implementation time: Not specified UNOHC's comments: Administration agrees on the recommendation and affirms that the Delegation for Procurement Authority as issued by the Controller will be faithfully adhered to. As to the unauthorized signature on the P.O.s, Administration would like to recall para. 9 of the Delegation for Procurement Authority and the Establishment of a LCC, to wit... "All concerned shall be personally responsible and accountable hereunder for the improper use of authority or for acting w/o proper authority." In brief, a state of mind, respectful of rules and regulations has to be brought! Administration will strive its best. <u>STATUS:</u> Closed
Receiving and Inspection procedures were inadequate The dangers inherent in adopting such a procedure are evident from a letter of 12 January 2000, to UNOHC Suleimaniyah, from the Director of the IRCS (Iraqi Red Crescent Society) which receives and distributes the items on behalf of the UN. The letter states that "the quality of those fifty tents which we have received on 4 January 2000 is very poor and useless" and goes on to request UNOHC "to inform those who procured those useless goods to purchase better quality items so that it is accepted by your agency as well as useful for the beneficiaries." To the best of our knowledge no action has been taken on receipt of this letter.	Rec. # AF00/49/1/143 We recommend that that the Mission management ensure that R&I procedures are established to ensure that R&I reports are only issued for items physically received and inspected by GSS, R&I unit, and that the case of the "poor quality tents" be fully investigated.	Agreement: Yes Implementation time: Not specified UNOHC's comments: Measures will be taken towards strengthening of R&I Unit in Erbil and a thorough investigation of the "poor quality tents" will be requested. <u>STATUS:</u> Closed

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Observation	Recommendation	Mission's comment/implementation status
Cost of winter items were excessive	Rec. # AF00/49/1/144 We recommend that management review the procurement procedures by all sections involved. Management should strengthen the Procurement Section, which is perceived as a weak link, as discussed in a previously issued Audit Note (AN1/00).	Agreement: Yes Implementation time: Not specified UNOHC's comments: The recommendation is accepted and with the establishment of sub-Administration/Regional Administration in the North, procedures will be streamlined and internal control enhanced. Administration will strive its best to determine the responsibility for the resultant losses by the establishment of an ad-hoc Task Force made of available staff including a Security investigator if possible and agreeable to the Head of the Mission. STATUS: Closed

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Observation	Recommendation	Mission's comment/implementation status
VEHICLES LEASED TO LOCAL AUTHORITIES IN NORTH IRAQ		
	Audit Note No. 7	
We reviewed the documentation relating to the registration of the “13 percent account” vehicles on lease to the local authorities in North Iraq at a nominal rate. UNOHC’s proposal to provide central maintenance facilities for them and monitor their use by the various departments in North Iraq to determine whether their use conforms to the provisions SCR’s and related procedures. During our visit to the Northern Iraq, we observed that these vehicles were used for various activities, not consistent with the lease agreement.	<p>Rec. # AF00/49/1/145</p> <p>We recommend that Mission in coordination with OIP seek approval from the 661 committee to hand over the vehicles to the local authorities.</p> <p>Our review found that, at the recommendation of the UNOHC legal advisor, a proposal had been put forward to establish workshop facilities in North Iraq to repair and maintain these vehicles. It was however noted that neither the local authorities nor the UN agencies had requested such facilities.</p>	<p><u>Agreement:</u> Awaiting reply <u>Implementation time:</u> None <u>UNOHC’s comments:</u> Administration would like to state that the Note and recommendation has been transmitted to the Substantive component under whose purview the matter belongs to. On its side, Administration recognizes that the Mission’s financial and human resources should be exclusively used for the mandated tasks, which do not include implementation activities. <u>STATUS:</u> Open. OIP plans to refer the matter to OLA.</p> <p><u>Agreement:</u> Yes <u>Implementation time:</u> None <u>UNOHC’s comments:</u> Instructions have been issued to cancel all plans and actions related to building of workshops for the said vehicles, outsourcing or other ways and means to provide repair and maintenance to the subject vehicles by the Mission.. <u>STATUS:</u> Closed</p>

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Observation	Recommendation	Mission's comment/implementation status
UNOHC's mandate under the 986 programme is to coordinate and monitor activities of the executing agencies and it is not an executing agency itself. This proposal would also place a needless administrative burden on UNOHC and be a conflict of interest with their coordination and monitoring role.	<p><u>Rec. # AF00/49/1/147</u></p> <p>We recommend that Mission in consultation with the other UN agencies and programmes leasing vehicles to the authorities, establish a proper monitoring mechanism to ensure that the vehicles are used for the intended purposes.</p>	<p>Agreement: Yes Implementation time: None <u>UNOHC's comments:</u> Administration has transmitted the Auditors' Note and recommendation to the Substantive Component of the Mission, under whose ^{r11} view the matter belongs to. Although the matter being solely ^{r11}, a substantive nature, Administration wish to indicate that it considers it in the best interest of the Mission and Administration that the vehicles be handed over asap, with no further obligation or liability on the Mission or the Organization.</p> <p>The establishment of a monitoring mechanism to ensure that the vehicles are used for the intended purposes may not be implementable, or at the best, will only bring limited results, prolong this uncertain situation and the liability to the Organization.</p> <p>STATUS: Open.</p>

UNITED NATIONS OFFICE OF THE HUMANITARIAN COORDINATOR FOR IRAQ (UNOHC) – Assignment No. AF2000/49/1
STATUS OF OIOS/AMCD RECOMMENDATIONS ISSUED DURING FIELD VISIT

ANNEX

Observation	Recommendation	Mission's comment/implementation status
MSA AND ORB POLICIES		
	Audit Note No. 8	
Reimbursement for accommodation while on duty travel Considering the high frequency of official travel within the mission area and the varying arrangements for accommodation it is likely that the overpayments may have been substantial. The mission should therefore, review the previous F.10 claims to determine cases where overpayment has been made and recover the overpaid amounts.	Rec. # AF00/49/1/148 We recommend that Mission review F.10 claims for reimbursement of official travel within the Mission area to determine if overpayments have been made and recover the over paid amounts.	Agreement: No Implementation time: n/a UNOHC's comments: Administration would like to refer to the Exit Conference wherein it has been agreed that action to this recommendation will be held in abeyance pending Auditors' consultations with OHRM, and FALD. <u>STATUS:</u> Recommendation withdrawn
	Rec. # AF00/49/1/149 We recommend that Mission in the future, verify the actual receipts of the retained accommodation before reimbursement is made and that for staff members who do not pay or pay the nominal rate the accommodation portion of the MSA be deducted.	Agreement: No Implementation time: n/a UNOHC's comments: The Note and recommendation is acknowledged and in this connection, Administration would like to refer to the Exit Conference wherein it has been agreed that action to this recommendation will be held in abeyance pending Auditors' consultations with OHRM and FALD. However, Administration is convinced that original receipts as supporting documents should be attached to all requests for reimbursement. Due to dissident opinions amongst Administration with that of the Auditors', OIOS will consult with OHRM and FALD and will revert to the Mission. <u>STATUS:</u> Recommendation withdrawn
	Rec. # AF00/49/1/150 Travel time while on ORB It is acceptable for the staff in North to get two additional working days of travel time, in our view applying the same policy to staff working in Baghdad is liberal.	Agreement: Not specified. Implementation time: None UNOHC's comments: Administration would like to refer to the Exit Conference wherein it has been agreed that action to this recommendation will be held in abeyance pending Auditors' consultations with OHRM and FALD. <u>STATUS:</u> See comments in audit memorandum to FALD.